

AO 120 (Rev. 2/99)

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**REPORT ON THE
 FILING OR DETERMINATION OF AN
 ACTION REGARDING A PATENT OR
 TRADEMARK**

In Compliance with 35 § 290 and/or 15 U.S.C. § 1116 you are hereby advised that a court action has been
 filed in the U.S. District Court Northern District of California on the following ☐ Patents or ☒ Trademarks:

DOCKET NO. C-09-2055-BZ	DATE FILED May 11, 2009	U.S. DISTRICT COURT Office of the Clerk, 450 Golden Gate Ave., 16 th Floor, San Francisco, CA 94102	
PLAINTIFF EXCELSTOR TECHNOLOGY, INC., ET AL.		DEFENDANT PAPST LICENSING GMBH & CO. KG	
PATENT OR TRADEMARK NO.	DATE OF PATENT OR TRADEMARK	HOLDER OF PATENT OR TRADEMARK	
1 <i>18 Pat.</i>	<i>975.2-3</i>		
2		"Pls. See Attached Copy of Complaint"	
3			
4			
5			

In the above—entitled case, the following patent(s) have been included:

DATE INCLUDED	INCLUDED BY	<input type="checkbox"/> Amendment	<input type="checkbox"/> Answer	<input type="checkbox"/> Cross Bill	<input type="checkbox"/> Other Pleading
PATENT OR TRADEMARK NO.	DATE OF PATENT OR TRADEMARK	HOLDER OF PATENT OR TRADEMARK			
1					
2					
3					
4					
5					

In the above—entitled case, the following decision has been rendered or judgement issued:

DECISION/JUDGEMENT

CLERK Richard W. Wiekling	(BY) DEPUTY CLERK Thelma Nudo	DATE May 11, 2009
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Copy 1—Upon initiation of action, mail this copy to Commissioner Copy 3—Upon termination of action, mail this copy to Commissioner
 Copy 2—Upon filing document adding patent(s), mail this copy to Commissioner Copy 4—Case file copy

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EXCELSTOR GROUP LIMITED,
8 EXCELSTOR GREAT WALL TECHNOLOGY
LIMITED and SHENZHEN EXCELSTOR
9 TECHNOLOGY LIMITED

10 UNITED STATES DISTRICT COURT
11 NORTHERN DISTRICT OF CALIFORNIA

13 EXCELSTOR TECHNOLOGY, INC., a
Delaware corporation; EXCELSTOR
14 TECHNOLOGY LIMITED, a Hong Kong
corporation; EXCELSTOR GROUP LIMITED,
15 a Cayman Islands corporation; EXCELSTOR
GREAT WALL TECHNOLOGY LIMITED, a
16 Cayman Islands corporation; and SHENZHEN
EXCELSTOR TECHNOLOGY LIMITED, a
17 Chinese corporation,

18 Plaintiffs,

19 v.

20 PAPST LICENSING GMBH & CO. KG, a
German corporation; and DOES 1 through 10,
21 inclusive,

22 Defendants.

CASE NO.

09 2055

**COMPLAINT FOR
DECLARATORY RELIEF RE
PATENT UNENFORCEABILITY,
BREACH OF CONTRACT,
BREACH OF THE IMPLIED
COVENANT OF GOOD FAITH,
AND FRAUDULENT
CONCEALMENT**

DEMAND FOR JURY TRIAL

24 Plaintiffs ExcelStor Technology, Inc., ExcelStor Technology Ltd., ExcelStor Group
25 Limited, ExcelStor Great Wall Technology Limited, and Shenshen ExcelStor Technology Limited
26 (collectively, "Plaintiffs" or "ExcelStor") hereby allege for their Complaint against defendant Papst
27 Licensing GmbH & Co. KG ("Defendant" or "Papst"), on personal knowledge as to their own
28 activities and on information and belief as to the activities of others, as follows:

THE PARTIES

1. Plaintiff ExcelStor Technologies, Inc. is a corporation organized and existing under the laws of the State of Delaware, with its principal place of business at 1500 Kansas Avenue, Suite 1-C, Longmont, Colorado.

2. Plaintiff ExcelStor Technology Limited is a corporation organized and existing under the laws of Hong Kong, with its principal place of business at Suite 1507, Greenfield Tower, Concordia Plaza, No. 1 Science Museum Road, Tsimshatsui, Kowloon, Hong Kong.

3. Plaintiff ExcelStor Group Limited is a corporation organized and existing under the laws of the Cayman Islands, with its registered office at Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands.

4. Plaintiff ExcelStor Great Wall Technology Limited is a corporation organized and existing under the laws of the Cayman Islands, with its registered office at Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands.

5. Plaintiff Shenzhen ExcelStor Technology Limited is a corporation organized and existing under the laws of China, with its principal place of business at 5/F Kaifa Complex, Phase 2, 7006 Caitian Road North, Futian District, Shenzhen, China.

6. Collectively, the ExcelStor companies are leaders in the design, development, manufacture and distribution of hard disk drive ("HDD" or "hard disk") products, primarily in China. In fact, ExcelStor is the only HDD producer with its own brand in China. ExcelStor has also acted as a "contract manufacturer" for various companies, including Hitachi Global Storage Technologies Singapore Ltd. and its affiliates such as Hitachi Data Systems and Hitachi, Ltd. ("Hitachi").

7. Defendant Papst Licensing GMBH & Co. KG is a privately held corporation organized under the laws of the Federal Republic of Germany with its principal place of business at Bahnhofstr. 33, 78112 St Georgen, Germany. Papst is a patent holding company that acquires and enforces patents, but does not develop, manufacture or distribute a product of its own. As part of its activities, Papst has become the assignee of several United States Patents involving HDDs, including: Nos. B1 Re. 32,702; 4,519,010; 4,535,373; 4,922,406; 5,708,539; 5,729,403; Re. 35,792;

1 5,777,822; 5,796,548; 5,216,557; 5,424,887; 5,446,610; 5,557,487; 5,661,351; 5,801,900;
2 5,864,443; Re. 34,412; and Re. 37,058 (collectively, the "Papst HDD Patents").
3

4 JURISDICTION AND VENUE

5 8. This Court has jurisdiction over the subject matter of ExcelStor's claims pursuant to
6 28 U.S.C. §§ 1331, 1338 and 1367, as the claim for declaratory relief of patent unenforceability
7 arises out of the patent laws of the United States, and the remaining claims are so related to the
8 patent unenforceability claim that they form part of the same case or controversy under Article III
9 of the United States Constitution.

10 9. Venue is proper in this judicial district under 28 U.S.C. § 1391 because, among
11 other reasons, defendant Papst is an alien, and a substantial part of the events giving rise to
12 ExcelStor's claims occurred in this district.

14 INTRA-DISTRICT ASSIGNMENT

15 10. Pursuant to Local Rules 3-2(c) and 3-5, this action may be assigned to any division
16 of this district because it is an Intellectual Property Action.

18 FACTUAL BACKGROUND

19 11. As noted above, Plaintiffs are in the business of developing, manufacturing and
20 distributing computer products, including HDDs. As part of its business, ExcelStor has been a
21 contract manufacturer of HDDs for Hitachi. As the contract manufacturer for Hitachi, ExcelStor
22 has manufactured hard drives according to Hitachi's designs and then sold them to Hitachi
23 ("Hitachi-ExcelStor Contract Drives").

24 12. In 2002, Papst filed suit against ExcelStor for infringement of the Papst HDD
25 Patents in the U.S. District Court for the Central District of California (the "ExcelStor Lawsuit").
26 The accused products in the ExcelStor Lawsuit included products that ExcelStor was contract
27 manufacturing for Hitachi. However, Hitachi itself was not named as a party to the ExcelStor
28 Lawsuit.

1 13. Effective January 1, 2003, Papst entered into a royalty licensing agreement for some
2 or all of the Papst HDD Patents with Hitachi (the "Hitachi License Agreement"). Under the Hitachi
3 License Agreement, Hitachi paid a lump sum royalty in exchange for a perpetual license to use the
4 Papst HDD Patents in connection with its manufacturing and distribution of HDDs.

5 14. The Hitachi License Agreement included "have made" rights that were designed to
6 enable Hitachi to use a contract manufacturer, like ExcelStor, to make licensed products based
7 upon Hitachi designs without either Hitachi or the contract manufacturer paying further royalties.
8 ExcelStor is informed and believes that the "have made" rights were inserted into the Hitachi
9 Agreement at the specific request of Hitachi, which told Papst that it wanted its license to cover its
10 contract manufacturers like ExcelStor, and Papst knew that the "have made" rights were an
11 essential part of the Hitachi License Agreement.

12 15. On January 20, 2004, Papst and ExcelStor entered into a written Agreement to settle
13 the ExcelStor Lawsuit (the "ExcelStor Agreement"). Under the ExcelStor Agreement, ExcelStor
14 committed to make royalty payments to Papst on each HDD that ExcelStor made or sold through
15 the expiration date of the Papst HDD Patents, in exchange for a license to the Papst HDD Patents.

16 16. The ExcelStor Agreement specifically provided that ExcelStor would pay a per-unit
17 royalty for each HDD that ExcelStor "contract manufactures" for its customers, such as Hitachi.
18 The ExcelStor Agreement further required Papst to give ExcelStor written notice on a quarterly
19 basis as to whether Papst had been paid a royalty by anyone other than ExcelStor for the HDDs that
20 ExcelStor "contract manufactures" for ExcelStor customers, and in the event that Papst had obtained
21 such a royalty, Papst was obligated to reimburse ExcelStor's royalty payments for those HDDs.

22 17. Following execution of the ExcelStor Agreement, Papst collected more than
23 \$7,989,360 in royalties from ExcelStor for products that ExcelStor manufactured for Hitachi, and
24 for which Hitachi had already paid royalty payments to Papst under the Hitachi License Agreement.
25 However, Papst has failed to provide ExcelStor with the required written notice under the ExcelStor
26 Agreement that it has collected double royalties, nor has it reimbursed ExcelStor for the royalty
27 payments ExcelStor made for products contract manufactured for Hitachi as mandated by the
28 ExcelStor Agreement.

1 18. ExcelStor was not aware of, nor informed about, the fact that Hitachi already paid
2 for and received a license for the ExcelStor-Hitachi Contract Drives at the time ExcelStor entered
3 into the ExcelStor Agreement.

4
5 **FIRST CAUSE OF ACTION**

6 (Declaratory Relief of Patent Unenforceability Based on Patent Misuse)

7 19. ExcelStor repeats and realleges each of the allegations set forth in Paragraphs 1
8 through 18 of this Complaint as if fully set forth in this Paragraph.

9 20. Since 2004, Papst has collected royalties from ExcelStor under the ExcelStor
10 Agreement for the manufacture of products purportedly covered by the Papst HDD Patents,
11 although Papst had already collected royalties from Hitachi under the Hitachi License Agreement
12 for ExcelStor's manufacture of the very same products.

13 21. By collecting double royalties on ExcelStor's manufacture of HDD products, Papst
14 has impermissibly broadened the physical or temporal scope of the patent grant for the Papst HDD
15 Patents with anticompetitive effect, thereby rendering the Papst HDD Patents unenforceable due to
16 patent misuse.

17 22. Papst denies some or all of the allegations in Paragraphs 19-21 above. Therefore, a
18 valid and justiciable controversy has arisen and exists between ExcelStor and Papst. ExcelStor
19 desires a judicial determination and declaration regarding the enforceability of the Papst HDD
20 Patents and the parties' respective rights and obligations concerning such patents, and such a
21 determination is necessary and appropriate at this time.

22
23 **SECOND CAUSE OF ACTION**

24 (Restitution)

25 23. ExcelStor repeats and realleges each of the allegations set forth in Paragraphs 1
26 through 22 of this Complaint as if fully set forth in this Paragraph.

27 24. ExcelStor has paid Papst in excess of \$10,600,000 in royalties on patents that are
28 unenforceable due to Papst's acts of patent misuse. ExcelStor is entitled to reimbursement of these

1 amounts.

2 **THIRD CAUSE OF ACTION**

3 (Breach of Contract)

4 25. ExcelStor repeats and realleges each of the allegations set forth in Paragraphs 1
5 through 24 of this Complaint as if fully set forth in this Paragraph.

6 26. On January 20, 2004, ExcelStor and Papst entered into the ExcelStor Agreement,
7 which constitutes a valid, binding agreement between the parties.

8 27. ExcelStor has performed all of its obligations under the ExcelStor Agreement,
9 except those obligations that it was prevented or excused from performing.

10 28. Papst has breached the ExcelStor Agreement by, among other things, failing to
11 provide notice to ExcelStor that Hitachi had already paid to Papst a royalty for Hitachi-ExcelStor
12 Contract Drives, and refusing to reimburse ExcelStor for royalty payments made for Hitachi-
13 ExcelStor Contract Drives to the extent that Papst had previously received royalty payments from
14 Hitachi.

15 29. As a direct and proximate result of Papst's breach of the ExcelStor Agreement,
16 ExcelStor has been damaged in an amount to be determined at trial, but in excess of \$7,989,360.

17
18 **FOURTH CAUSE OF ACTION**

19 (Breach of Implied Covenant of Good Faith and Fair Dealing)

20 30. ExcelStor repeats and realleges each of the allegations set forth in Paragraphs 1
21 through 29 of this Complaint as if fully set forth in this Paragraph.

22 31. Papst unfairly interfered with ExcelStor's right to receive the benefits of the
23 ExcelStor Agreement, including receiving notice that Hitachi had paid to Papst a royalty for
24 Hitachi-ExcelStor Contract Drives and receiving a reimbursal for royalty payments made for
25 Hitachi-ExcelStor Contract Drives to the extent that Papst had previously received royalty
26 payments from Hitachi.

27 32. As a direct and proximate result of Papst's unfair interference with ExcelStor's right
28 to receive the benefits of the ExcelStor Agreement, ExcelStor has been damaged in an amount to be

1 determined at trial, but in excess of \$7,989,360.

2
3 **FIFTH CAUSE OF ACTION**
4 (Fraudulent Concealment)

5 33. ExcelStor repeats and realleges each of the allegations set forth in Paragraphs 1
6 through 32 of this Complaint as if fully set forth in this Paragraph.

7 34. Papst concealed from ExcelStor material provisions of the Hitachi License
8 Agreement. In addition, Papst concealed from ExcelStor the material fact that Hitachi made a lump
9 sum royalty payment to Papst in exchange for a perpetual license to use the Papst HDD Patents for
10 Hitachi's manufacturing and distribution of HDDs and for the manufacturing of HDDs by Hitachi's
11 contract manufacturers like ExcelStor.

12 35. Papst also concealed from ExcelStor and failed to disclose the material fact that
13 Hitachi had already paid to Papst a royalty for Hitachi-ExcelStor Contract Drives.

14 36. Papst has falsely represented and continues to falsely represent to ExcelStor that no
15 other company had paid to Papst a royalty for Hitachi-ExcelStor Contract Drives and that Papst was
16 not obligated to reimburse ExcelStor for royalty payments made for Hitachi-ExcelStor Contract
17 Drives.

18 37. ExcelStor reasonably relied on Papst's false representations and concealment of
19 material facts to its detriment and was, and continues to be, due and owed reimbursement for
20 royalty payments made by ExcelStor for Hitachi-ExcelStor Contract Drives.

21 38. ExcelStor is informed and believes that Papst's misrepresentations and fraudulent
22 concealment of material facts were deliberate and willful in view of Papst's knowledge of the
23 Hitachi License Agreement, Hitachi's lump sum royalty payment to Papst, and the ExcelStor
24 Agreement.

25 39. As a direct and proximate result of Papst's misrepresentations and fraudulent
26 concealment of material facts, ExcelStor has been damaged in an amount to be determined at trial,
27 but in excess of \$7,989,360.

PRAYER FOR RELIEF

WHEREFORE, ExcelStor requests entry of judgment in its favor and against Papst as follows:

- A. Declaring that each of the Papst HDD Patents are unenforceable due to patent misuse;
- B. Declaring that the ExcelStor Agreement is illegal and void insofar as it purports to require ExcelStor to pay royalties for Hitachi-ExcelStor Contract Drives or other HDDs that ExcelStor "contract manufactures" for its customers for which royalties have already been paid, and directing Papst to reimburse ExcelStor in full for the royalties paid by ExcelStor to Papst in connection with that Agreement, which amounts exceed \$10,600,000;
- C. Awarding ExcelStor damages in an amount adequate to compensate ExcelStor for Papst's breach of contract, breach of implied covenant of good faith and fair dealing and fraudulent concealment in an amount to be proven at trial, but not less than \$7,989,360;
- D. Awarding ExcelStor pre- and post-judgment interest;
- E. Awarding ExcelStor the costs incurred in this action, together with reasonable attorneys' fees;
- F. Awarding ExcelStor punitive damages in an amount to be proven at trial; and
- G. Granting such other and further relief as the Court deems just and proper.

Dated: May 11, 2009

CARR & FERRELL LLP

By: Kenneth B. Wilson
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LIMITED and SHENZHEN EXCELSTOR
TECHNOLOGY LIMITED

1 **DEMAND FOR JURY TRIAL**

2 ExcelStor hereby demands trial by jury of all issues so triable.

3
4 Dated: May 11, 2009

CARR & FERRELL LLP

5
6 By: Kenneth B. Wilson

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